

**ERWIN TOWNSHIP
GOGEBIC COUNTY
FINANCIAL REPORT
With Supplemental Information**

March 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Erwin Township	County Gogebic
Fiscal Year End 3/31/2007	Opinion Date 11/13/2007	Date Audit Report Submitted to State 11/16/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA		Telephone Number (906) 932-3600	
Street Address 1445 East Cloverland Drive		City Ironwood	State MI
Authorizing CPA Signature 		Printed Name Roger J. Kolehmainen	Zip 49938
		License Number 1101011820 1617066	

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MANAGEMENT'S DISCUSSION AND ANALYSIS
ERWIN TOWNSHIP
(Unaudited)

Year ended March 31, 2007

Management's Discussion and Analysis

This section of Erwin Township's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2007. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2007.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. This statement reports the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ERWIN TOWNSHIP
(Unaudited)

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains one governmental fund. Information is presented in the government fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund (considered major fund).

The Township adopts an annual budget for its general fund. To demonstrate compliance with their general fund budget, a budgetary comparison statement has been provided and included in the "Required Supplemental Information" section of this report.

Individual fund data for each fund is presented separately in the "Other Financial Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ERWIN TOWNSHIP
(Unaudited)

Proprietary Funds

Proprietary Fund provides accounting for debt service payments for a sewer system under assignment with the City of Ironwood. The City, in annexing certain lands with the Township, have assumed operating and maintenance of the entire sewer system owned by the Township. Upon full payment of the revenue bonds, the City intends to assume ownership.

The Sewer Fund is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the debt service cost be recovered primarily through intergovernmental charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following table shows the condensed statement of net assets for the year ended March 31, 2007, as follows:

Primary Government- March 31, 2007			
	Governmental	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$158,225	\$ 7	\$158,232
Other assets	21,523		21,523
Non-current Assets			
Capital Assets, net	58,535	383,981	442,516
TOTAL ASSETS	<u>\$238,283</u>	<u>\$383,988</u>	<u>\$622,271</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
ERWIN TOWNSHIP
(Unaudited)

Primary Government-March 31, 2007

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities	\$10,111	\$5,638	\$15,749
Non-current Liabilities		25,000	25,000
TOTAL LIABILITIES	\$10,111	\$30,638	\$40,749
NET ASSETS			
Investment in capital assets net of related debt	\$58,535	\$352,435	\$410,970
Restricted			
Unrestricted	169,637	915	170,552
TOTAL NET ASSETS	\$228,172	\$353,350	\$581,522
TOTAL LIABILITIES AND NET ASSETS	\$238,283	\$383,988	\$622,271

For governmental activities, net assets increased by \$30,838 during the fiscal year. For business-type activities, net assets decreased by \$8,652.

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the year ended March 31, 2007. The following statement reflects a condensed statement of activities with the respective changes in net assets for the periods reported.

Primary Government-March 31, 2007

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenue:			
Charges for services	\$5,717	\$	\$5,717
General Revenue:			
Property taxes	42,748		42,748
Other income	6,407		6,407
Unrestricted grants	32,250		32,250
Debt service reimbursements		6,788	6,788
Total Revenue	\$87,122	\$6,788	\$93,910

MANAGEMENT'S DISCUSSION AND ANALYSIS
ERWIN TOWNSHIP
(Unaudited)

EXPENSES:

General Government	\$37,660		\$37,660
Public Safety	5,766		5,766
Public Works	11,219		11,219
Other Expenses	1,639		1,639
Total Expenses	\$56,284	\$	\$56,284

Business-Type

Activities:

Sewer Expenses		\$15,440	\$15,440
Total Expenses		\$15,440	\$15,440
Increase (Decrease) in Net Assets	\$30,838	(\$8,652)	(\$22,186)
Net Assets, Beginning of Year	197,334	362,002	559,336
Net Assets, End of Year	\$228,172	\$353,350	\$581,522

Governmental Activities

Property taxes and State Shared revenues comprise \$74,998 or approximately 86 percent of total governmental revenues. The Township also collected \$5,991 in investment income. The Township expended \$56,284 on governmental programs and services. Some of the largest expense categories were for general government and public works where \$37,660 (63%) and \$11,219 (20%), respectively, were reported.

Business-Type Activities

Business-type activities decreased the Township's net assets by \$8,652. The reduction was the result of depreciation charges being recognized.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ERWIN TOWNSHIP
(Unaudited)

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved net assets balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental fund reported an ending net asset balance of \$169,637, which was unrestricted and is available for spending at the government's discretion.

On the General Fund budgetary basis of accounting, the Township ended the year with expenditures being 52% lower than what was budgeted. Apparently monies were appropriated for road projects not undertaken.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund as of March 31, 2007 were \$915.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2007 was \$440,970.

Capital expenditure for governmental funds was for road improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ERWIN TOWNSHIP
(Unaudited)

The Township had \$30,000 of long-term liabilities as of March 31, 2007, of which, \$5,000 is reclassified as a short term liability. This liability is for revenue bonds payable (sewer fund) outstanding. There was no new indebted incurred for the fiscal year ended March 31, 2007.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Erwin Township
E5358 West Pioneer Road
Ironwood, MI 49938

Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Erwin Township
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of Erwin Township, Gogebic County, and its fund financial statements as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Erwin Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 13, 2007, on our consideration of Erwin Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Erwin Township's basic financial statements. The accompanying "Other Financial Information" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
November 13, 2007

ERWIN TOWNSHIP
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$158,225	\$ 7	\$158,232
Accounts receivable-net	8,635		8,635
Delinquent taxes receivable	3,046		3,046
Due from other funds	7,385		7,385
Deferred charges	2,457		2,457
TOTAL CURRENT ASSETS	179,748	7	179,755
 NON-CURRENT ASSETS:			
Capital assets	66,096	539,978	606,074
Accumulated depreciation	(7,561)	(157,543)	(165,104)
Loan acquisition costs-net		1,546	1,546
TOTAL NON-CURRENT ASSETS	58,535	383,981	442,516
TOTAL ASSETS	\$238,283	\$383,988	\$622,271
 LIABILITIES			
Current Liabilities:			
Accounts payable	\$8,339	\$	\$8,339
Accrued wages/taxes	1,772		1,772
Accrued interest payable		638	638
Current maturity on long-term debt		5,000	5,000
TOTAL CURRENT LIABILITIES	\$10,111	\$5,638	\$15,749
 NON-CURRENT LIABILITIES			
Bonds payable		30,000	30,000
Current maturity on long-term debt		(5,000)	(5,000)
TOTAL NON-CURRENT LIABILITIES		25,000	25,000
TOTAL LIABILITIES	\$10,111	\$30,638	\$40,749
 NET ASSETS			
Investment in capital assets, net of related debt	\$58,535	\$352,435	\$410,970
Reserved			
Unreserved	169,637	915	170,552
TOTAL NET ASSETS	\$228,172	\$353,350	\$581,522
TOTAL LIABILITIES & NET ASSETS	\$238,283	\$383,988	\$622,271

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) <u>Revenue</u>
Governmental Activities			
General government	\$37,660	\$3,393	(\$34,267)
Public safety	5,766	385	(5,381)
Public works	11,219	1,939	(9,280)
Other	1,639		(1,639)
Total Governmental Activities	\$56,284	\$5,717	(\$50,567)
Business-type Activities			
Sewer	15,440		(15,440)
Total Business – type Activities	\$15,440	\$	(\$15,440)
Total	\$71,724	\$5,717	(\$66,007)

Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$50,567)	(\$15,440)	(\$66,007)
General Revenues:			
Property taxes	42,748		42,748
State-Shared revenues	32,250		32,250
Investment income	5,991		5,991
Debt service contributions		6,788	6,788
Other revenues	416		416
Total General Revenues	\$81,405	\$6,788	\$88,193
Changes in Net Assets	\$30,838	(\$8,652)	\$22,186
Net Assets at Beginning of Year	197,334	362,002	559,336
Net Assets at End of Year	\$228,172	\$353,350	\$581,522

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUND
March 31, 2007

	<u>General Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$158,225
Accounts receivable-net	8,635
Delinquent taxes receivable	3,046
Due from other funds	7,385
Deferred charges	2,457
TOTAL CURRENT ASSETS	<u>\$179,748</u>
 TOTAL NON-CURRENT ASSETS	
TOTAL ASSETS	<u><u>\$179,748</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$8,339
Accrued wages/taxes	1,772
TOTAL CURRENT LIABILITIES	<u>\$10,111</u>
 TOTAL NON-CURRENT LIABILITIES	
TOTAL LIABILITIES	<u>\$10,111</u>
FUND EQUITY	
Unreserved	169,637
TOTAL FUND BALANCES	<u>\$169,637</u>
TOTAL LIABILITIES & FUND BALANCES	<u><u>\$179,748</u></u>

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS

March 31, 2007

Total Fund Equity for Governmental Funds	\$169,637
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Amounts reported for governmental activities in this statement
Of net assets are different because:

Capital assets used in governmental activities are nor financial Resources are therefore are not reported in the funds	58,535
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TOTAL NET ASSETS OF THE GOVERNMENTAL ACTIVITIES	<u>\$228,172</u>
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The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year ended March 31, 2007

	<u>General Fund</u>
REVENUES:	
Taxes	\$38,452
Other taxes	4,296
Tax administrative fees	3,393
State shared revenues	32,250
Charges for services	1,939
Permits	385
Interest	5,991
Other revenue	416
	<hr/> \$87,122
 EXPENDITURES	
Legislative	\$8,348
General government	29,045
Public safety	5,766
Public works	13,844
Other	1,639
	<hr/> \$58,642
 EXCESS OF REVENUES (EXPENDITURES)	 28,480
 OTHER FINANCING SOURCES (USES)	
Transfers to/from other funds	<hr/> 28,480
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES	
Fund Balance at 3/31/2006	141,157
FUND BALANCE 3/31/ 2007	<hr/> <u>\$169,637</u>

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUND TYPE STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WITH THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUND
Year ended March 31, 2007

Continued

Reconciliation of the changes in fund balances – Total Governmental Funds
to the changes in net assets of governmental activities:

Net change in Fund Balances-Total Governmental Funds	\$28,480
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Amounts reported for governmental activities in the Statement of Activities
different because:

Governmental funds report capital outlays as expenditures while governmental
activities report those costs as in the Statement of Net Assets and report an annual
depreciation expense over the life of the assets in the Statement of Activities.

Capital additions and deletions	5,493
Depreciation expense	(3,135)

Change in Net Assets of Governmental Activities	<u>\$30,838</u>
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The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND
March 31, 2007

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 7
Accounts receivable-net	
TOTAL CURRENT ASSETS	<u>7</u>
Capital Asses:	
Property, plant and equipment	539,978
Accumulated depreciation	(157,543)
TOTAL CAPITAL ASSETS	<u>382,435</u>
Other Assets;	
Bond issue costs, net	1,546
TOTAL ASSETS	<u>\$383,988</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$
Accrued interest payable	638
Current maturity on long-term debt	5,000
TOTAL CURRENT LIABILITIES	<u>5,638</u>
Long-Term Liabilities	
Revenue bonds payable	30,000
Less current maturity on long-term debt	(5,000)
TOTAL LONG TERM LIABILITIES	<u>25,000</u>
TOTAL LIABILITES	<u>30,638</u>
Net Assets:	
Investment in capital assets, net of related debt	352,435
Reserved	
Unreserved	915
TOTAL NET ASSETS	<u>353,350</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$383,988</u>

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUND TYPE
Year ended March 31, 2007

Operating revenues:		
Charges for services		\$
	Total Operating Revenues	
Operating expenses:		
Provision for depreciation		13,499
	Total Operating Expenses	13,499
	Operating income (loss)	(13,499)
Non-operating revenues (expenses):		
Debt retirement payments reimbursed		6,788
Bond amortization		(254)
Interest expense		(1,687)
	Total non-operating revenue (expenses)	4,847
Change in Net Assets		(8,652)
Net Assets - March 31, 2006		362,002
NET ASSETS – MARCH 31, 2007		\$353,350

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS TYPE
Year ended March 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$
Payments to employees	
Payments to vendor	(101)
Net Cash Provided (Used) by Operating Activities	(\$101)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Debt retirement reimbursement	6,788
Principal paid on bonds payable	(5,000)
Interest paid on bonds payable	(1,687)
Net Cash Provided (Used) for Capital and Related Financing Activities	101

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments	
Net Cash Provided (Used) by Investing Activities	

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents, March 31, 2006	7
CASH AND CASH EQUIVALENTS, MARCH 31, 2007	\$ 7

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	(\$13,499)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation	13,499
Change in assets and liabilities:	
Prepaid insurance	
Accrued interest payable	(101)
Net Cash Provided by Operating Activities	(\$101)

Non cash investing, capital and financing activities: None

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2007

Agency Fund		
		Tax Collection <u>Fund</u>
ASSETS		
Cash and cash equivalents		\$12,654
	TOTAL ASSETS	<u>\$12,654</u>
LIABILITIES		
Due to Township		\$7,385
Due to Others		<u>5,269</u>
	TOTAL LIABILITIES	<u>\$12,654</u>
NET ASSETS		
Unreserved		
	TOTAL NET ASSETS	<u> </u>
	TOTAL LIABILITIES & NET ASSETS	<u>\$12,654</u>

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

Erwin Township operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," these financial statements of the Township contain all the Township funds and components units that are controlled by or dependent on the Township's executive or legislative branches. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental and other non-exchange revenues. Business-type activities are financed in whole by fees charged to another local unit of government in the retiring of revenue bonds and related interest expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund - is the primary operating fund of the Township and always classified as a major fund. This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

PROPRIETARY FUNDS

Enterprise Funds – reports sewer debt service payments which are financed through intergovernmental charges. The City of Ironwood intends on assuming ownership of the system once the revenue bonds have been retired. Currently, the City assumes all operating and maintenance efforts of the existing sewer system and bills the users accordingly. Until the revenue bonds are retired, the Township is still obligated to continue to make debt service payments, restricting the transfer of assets to the City of Ironwood.

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. The Tax Fund monies are custodial in nature and do not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and non-major funds as follows:

<u>Funds</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Sewer	Account for debt service payments pertaining to sewer activities.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end with the exception of State Shared Revenues earmarked for the period under audit. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, debt service revenues are recognized when billed and expenses are recorded when the debt service is paid.

Budgets and the Budgetary Process

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Prior to April 1, the budget is legally enacted by the Township Board.
4. Any revisions to the budgeted amounts must be approved by the Township Board.
5. The General Fund Budget was on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budgeted amounts presented in the financial statements are as originally adopted and subsequently amended.

There were no budget amendments made during the fiscal year. All budget appropriations lapse at year end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. See Note G for details of interfund transactions, including receivables and payable at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes; delinquent real property taxes; and tax administrative fees.

Inventories

The inventories of the Township’s general and enterprise funds consist of small supplies which are considered to be immaterial and are not recognized in the financial statements

Prepaid Items

Prepaid items are payments to vendors that benefit future reporting periods also reported on the consumption basis. Prepaid items are similarly reported in the government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with initial individual costs of \$1,500 and \$5,000 for equipment additions and capital betterments and infrastructure improvements. All fixed assets are valued at historical costs. The Township in accordance with GASB 34, started to capitalize purchases effective April 1, 2004. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

Capital assets for proprietary funds are recognized on assets costing over \$100 and with a useful life of over three years. All fixed assets are valued at historical costs or estimated cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Land	Not depreciated
Utility Plant	40 Years
Office Equipment	5 Years
Right of way improvements	15 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from business-type resources is reported as liabilities in the proprietary fund, Statement of Net Assets. The long-term debt consists of revenue bonds.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes all revenue and expenses, not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:

Current (further classified by function)
Debt Service

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on revenue bond indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – BALANCE SHEET - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Township. Michigan Compiled Laws authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the three highest classifications by not less than two standard ratings services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are with one financial institution and are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for deposits at year-end are as follows:

Cash deposited in banks insured by federal depository insurance	\$100,000
Cash on hand	50
Funds in excess of insurance limits (uncollaterized)	72,759
Less outstanding items	(1,923)
Total	<u>\$170,886</u>

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible are as follows:

Fund	Receivable	Allowance	Net
General Fund	\$11,681	\$	\$11,681
Sewer Fund	\$3,295	\$3,295	\$

General Fund- majority of accounts receivable were for State Shared Revenues and delinquent real property taxes and administrative fees. Proprietary Funds – (Sewer) were for connection fees which are considered uncollectible.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2006 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collected</u>
Real/Personal Property taxes:			
County	\$84,512	\$6,756	\$77,756
School/SET	84,358	6,904	77,454
Township	38,568	2,952	35,616
CFR	6,823		6,823
Totals:	<u>\$214,261</u>	<u>\$16,612</u>	<u>\$197,649</u>
Taxable Valuation			
Real property	\$4,410,827		
Personal property	<u>2,093,525</u>		
Total	<u>\$6,504,352</u>		

NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2006 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after year end. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2007, which would require specific disclosure.

NOTE G - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2007, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General Fund- Tax Fund	\$7,385	Tax Fund- General Fund	\$7,385
TOTALS	<u>\$7,385</u>		<u>\$7,385</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – CAPITAL ASSETS

A summary of changes in general fixed assets at March 31, 2007 follows:

Governmental Activities	<u>Balance at March 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2007</u>
Capital Assets being Depreciated				
Right of way land improvements	\$59,270	\$5,493	\$	\$64,763
Equipment	1,333			1,333
Subtotals	\$60,603	\$5,493		\$66,096
Less Accumulated Depreciation	(4,426)	(3,135)		(7,561)
Net	\$56,177	\$2,358		\$58,535

The Township elected to capitalize capital assets effective April 1, 2004 and thereafter. A complete physical inventory has not been accomplished for Governmental Activities holdings. Depreciation expense was charged to programs of the primary government as follows:

General Government	\$267
Public Works	\$2,868

NOTE I - ENTERPRISE FUNDS – CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at March 31, 2007 follows:

Business-Type Activities	<u>Balance at March 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2007</u>
Capital Assets being Depreciated				
Utility plant	\$539,978	\$	\$	\$539,978
Less Accumulated Depreciation	(144,044)	(13,499)		(157,543)
Net	\$395,934	(\$13,499)	\$	\$382,435

Depreciation is computed using the straight-line method.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - ACCOUNTS PAYABLE

The General Fund and Proprietary Fund's account payable were for normal expenditures at year end, with the exception of fire number signs costing \$5,198.

NOTE K - LONG-TERM DEBT

A summary of the changes in general long-term debt at March 31, 2007 follows:

	Balance at <u>April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>March 31, 2007</u>
Revenue bonds payable	\$35,000		\$5,000	\$30,000

In 1997, the Township completed work on the Bonnie Sewer Project. The sewer project was financed by the issuance of Revenue Bonds totaling \$75,000 from Michigan Municipal Bond Authority and a grant of \$441,900.

Data relative to the 1997 Sewage Disposable System Revenue Bonds at March 31, 2007:

Date of issue: August 14, 1997
 Amount of Original Issue: \$75,000
 Outstanding at March 31, 2005: \$30,000
 Interest Rates: 4.0% to 5.3%
 Interest Dates: May 1 and November 1
 Principal Payment Dated: November 1
 Payment on Principal during year ended March 31, 2007: \$5,000

The Township in addition to the revenue from the project pledges its limited tax full faith and credit for the prompt and timely payment of obligations. Bonds are subject to redemption prior to maturity.

On June 12, 2000, the City of Ironwood assumed the balance of \$65,000 in Revenue Bonds obligations of the Township in exchange for future ownership of sewage disposal system assets. The transfer will be accomplished once the outstanding Revenue Bonds have been satisfied. The City continues to provide sufficient funds to the Township as principal and interest payments become due. The City, in annexing certain lands within the Township, has assumed operating and maintenance responsibilities of the system under a contractual arrangement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Debt service charges until maturity are as follows:

<u>Year ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$5,000	\$1,530	\$6,530
2009	5,000	1,285	6,285
2010	5,000	1,038	6,038
2011	5,000	785	5,785
2012	5,000	527	5,527
2013	5,000	265	5,265
	<u>\$30,000</u>	<u>\$5,430</u>	<u>\$35,430</u>

The Township received net proceeds of \$70,944, which are net of issuance costs of \$4,056 which are capitalized as Bond Issuance Costs and are being expensed over the life of the bond issuance.

NOTE L - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township provides sewage services. Segment information as of March 31, 2007, follows:

Operating revenues	\$
Depreciation/amortized expense	\$13,753
Operating income (loss)	(\$13,499)
Restrictive donations/grants	0
Operating transfers	0
Tax revenues	0
Increase (decrease) in	
Net Asset	(\$8,652)
Current capital contribution	0
Increase (decrease) in	
Fixed assets	0
Long-term debt payable	
from operating revenues	\$30,000
Net Assets	
Unreserved (deficit)	\$915

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the respective fund type. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Management estimates that the amount of actual or potential claims against the Township as of March 31, 2007, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

NOTE M - CONTINGENCIES AND COMMITMENTS

In the normal course of operations, the Township receives loan and grant funds from various federal and state agencies from year to year. These programs are often subject to audit by agents of the lending and granting agencies, the purpose of which is to ensure compliance with conditions precedent to the awarding of funds. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE N – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2007, the Township collected construction code service fees of \$385 and spent \$666 for enforcing the code. Because the fee structure is not intended to recover the full cost of enforcement, the Township has not set up a separate fund to record the collections and disbursements pertaining to inspection activities. Since the Township fee structure and past history has not allowed for fees collected to exceed actual costs incurred, no restricted cash accounts are required to be funded.

NOTE O – SUBSEQUENT EVENTS

The Township entered into a verbal arrangement with a centennial committee to oversee their 100 year anniversary activities. Minor costs were incurred and paid by the Township as of March 31, 2007, whereas afterward, it was noted that the centennial committee worked

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

independently of the Township Board in doing fund raising events and collecting and maintaining their own cash account. The committee requested their own employer identification number and all monies raised were controlled by them. The Township received partial reimbursement for saleable items paid for with taxpayer monies. The remaining monies and salable items (inventory) are still under the control of the centennial committee. There is no record of the centennial committee being recognized by neither the State of Michigan nor the Internal Revenue Service as being a non-profit entity. While the centennial committee should be commended for their efforts, it would appear that the Township should have provided fiscal oversight and control over items purchased and sold as part of the fundraising efforts.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

ERWIN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND
For the Year ended March 31, 2007

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$39,000	\$39,000	\$38,452	(\$548)
Other taxes	8,200	8,200	4,296	(3,904)
Tax administrative fees	2,000	2,000	3,393	1,393
State shared revenues	31,000	31,000	32,250	1,250
Permits	400	400	385	(15)
Charges for services	2,000	2,000	1,939	(61)
Interest	2,000	2,000	5,991	3,991
Other revenue	1,600	1,600	416	(1,184)
	<u>\$86,200</u>	<u>\$86,200</u>	<u>\$87,122</u>	<u>\$922</u>
EXPENDITURES				
Legislative	\$9,350	\$9,350	\$8,348	\$1,002
General government	31,180	31,180	29,045	2,135
Public safety	6,550	6,550	5,766	784
Public works	64,800	64,800	13,844	50,956
Other	11,100	11,100	1,639	9,461
	<u>\$122,980</u>	<u>\$122,980</u>	<u>\$58,642</u>	<u>\$64,338</u>
EXCESS OF REVENUES (EXPENDITURES)	(36,780)	(36,780)	28,480	65,260
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds				
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	(\$36,780)	(\$36,780)	\$28,480	\$65,260
Fund Balance at 3/31/2006	141,157	141,157	141,157	
FUND BALANCE 3/31/2007	<u>\$104,377</u>	<u>\$104,377</u>	<u>\$169,637</u>	<u>\$65,260</u>

The accompanying notes are an integral part of the financial statements.

**OTHER
FINANCIAL
INFORMATION**

ERWIN TOWNSHIP
MAJOR GOVERNMENTAL FUND
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LEGISLATIVE				
Township Board:				
Salaries			\$945	
Office supplies			1,176	
Professional fees			1,011	
Printing and publications			79	
Insurance			4,610	
Dues			186	
Miscellaneous			341	
TOTAL LEGISLATIVE	\$9,350	\$9,350	\$8,348	\$1,002
 GENERAL GOVERNMENT				
 TOTAL SUPERVISOR	 \$4,050	 \$4,050	 \$3,900	 \$150
 Elections:				
Wages			\$896	
Supplies			207	
TOTAL ELECTIONS	\$1,250	\$1,250	\$1,103	\$147
 Assessor:				
Wages			\$4,360	
Office supplies			195	
TOTAL ASSESSOR	\$4,600	\$4,600	\$4,555	\$45
 Clerk:				
Salary			\$3,000	
Extra Meeting			125	
Transportation			16	
TOTAL CLERK	\$4,400	\$4,400	\$3,141	\$1,259

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
MAJOR GOVERNMENTAL FUND
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
Year ended March 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
TOTAL BOARD OF REVIEW	\$500	\$500	\$740	(\$240)
Treasurer:				
Salary			\$4,980	
Extra meetings			100	
Supplies			540	
Contractual services			1,548	
Transportation			26	
TOTAL TREASURER	\$7,880	\$7,880	\$7,194	\$686
Township Property:				
Wages			\$3,680	
Utilities			3,823	
Repairs and maintenance			909	
TOTAL TOWNSHIP PROPERTY	\$8,500	\$8,500	\$8,412	\$88
TOTAL GENERAL GOVERNMENT	\$31,180	\$31,180	\$28,999	\$2,181
PUBLIC SAFETY				
TOTAL FIRE PROTECTION	\$5,000	\$5,000	\$5,000	\$
ZONING	\$550	\$550	\$100	\$450

The accompanying notes are an integral part of the financial statements.

ERWIN TOWNSHIP
MAJOR GOVERNMENTAL FUND
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
BUILDING INSPECTIONS	\$1,000	\$1,000	\$666	\$334
TOTAL PUBLIC SAFETY	\$6,550	\$6,550	\$5,766	\$784
PUBLIC WORKS				
STREET LIGHTING	\$300	\$300	\$215	\$85
Roads:				
Fire numbers			\$5,198	
Capital outlay			5,493	
Miscellaneous			58	
TOTAL ROADS	\$60,000	\$60,000	\$10,749	\$49,251
REFUSE COLLECTION	\$4,500	\$4,500	\$2,880	\$1,620
TOTAL PUBLIC WORKS	\$64,800	\$64,800	\$13,844	\$50,956
OTHER	\$11,100	\$11,100	\$1,639	\$9,461
TOTAL EXPENDITURES	\$122,980	\$122,980	\$58,642	\$64,338

The accompanying notes are an integral part of the financial statements.

Roger J. Kolehmainen PC CPA
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Ironwood, MI 49938
(906) 906-3600

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Supervisor and Members of the Board
Erwin Township
Ironwood, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Erwin Township as of and for the year ended March 31, 2007, which collectively comprise the Erwin Township's basic financial statements and have issued our report thereon dated November 13, 2007. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Erwin Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Erwin Township for the year ended March 31, 2007, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

The management of Erwin Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable condition noted in our review is as follows:

1. The Township entered into a verbal agreement with Erwin Township Centennial Committee to manage and oversee the Township's 100th anniversary. Our review did not locate a contractual agreement or any instructions as to how the activities and fund raising efforts were to be accomplished and what, if any, oversight the Township Board would retain.

Costs for fund raising articles were incurred and presented to the Township Board for review and payment was made after March 31, 2007. All funds collected for sale of articles and other activities were allowed to be deposited into the centennial committee (independent organization) bank account, not allowing for the Township to maintain an adequate accounting for proceeds and articles purchased with Township funds. There is no documentation available to indicate that the organization has been recognized as a not-for-profit entity by either the Internal Revenue Service or State of Michigan.

While the centennial committee should be commended for their successful efforts, we would recommend that the Township Board work in a cooperative manner to have any remaining saleable items purchased with Township monies be returned for accounting purposes and ultimate disposal. Also, if determinable, encourage the committee to return any remaining sale proceeds (profits) received in excess of monies returned (\$8,068) previously to reimburse the Township for costs incurred.


We would recommend that any future contractual arrangements be reduced to written form in addressing how efforts of others are to be of benefit to the Township's residents and rewarded accordingly. Furthermore, we would encourage that the Township Board would not allow for fund raising efforts in the name of the Township, be accounted for parties outside of the Township Board oversight, control and insurance coverage. Any organization or group of individuals contracting with the Township should provide evidence of being an established legal entity.

A material weakness is a reportable condition in which the design or operation of one of more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the above item to be a material weakness.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

November 13, 2007


Roger J. Kolehmainen PC
Certified Public Accountant